

2008 MICHIGAN Farmland Preservation Tax Credit

Corporate Farm Owners, Estates or Trusts

Issued under authority of Public Act 451 of 1994. Type or print in blue or black ink.

☐ Check if this is an amended form.
Attach supporting documents.

1. Return is for calendar year 2008 or for tax year beginning: (MM-DD-YYYY)				and ending: (MM-DD-YYYY)	
2. Name				5. Federal Employer Identification Number (FEIN) or TR Number	
Doing Business As (DBA)				6. Organization Type	
Street Address				<input type="checkbox"/> Fiduciary <input type="checkbox"/> S Corporation / LLC S Corporation <input type="checkbox"/> C Corporation / LLC C Corporation	
City	State	ZIP Code	Country Code		
3. NAICS (North American Industry Classification System) Code			4. Principal Business Activity	7. Business Start Date	8. If Discontinued, Effective Date

If you have agreements entered into on or after January 1, 1978, determine your qualification by using the formula in Part 1, line 13, or line 18. Once you elect a qualification formula, all future claims must be filed using that formula.

PART 1: GROSS RECEIPTS QUALIFICATION

If all contracts were entered into before January 1, 1978, go to Part 2.

	A 1st Year	B 2nd Year	C 3rd Year	D 4th Year	E 5th Year
9. Years preceding the claim year					
10. Property taxes on enrolled land.....					
11. Multiply line 10 by five					
12. Agricultural gross receipts					
13. <input type="checkbox"/> Check here if line 12 is greater than line 11 in at least three of the five years preceding claim year AND you elect this qualification.					
14. Property taxes on enrolled land in the first year under contract				14.	00
15. Multiply the property taxes on line 14 by five				15.	00
16. Agricultural receipts for averaging. Enter total of line 12, columns A, B, and C				16.	00
17. Average Gross Receipts. Divide line 16 by three				17.	00
18. <input type="checkbox"/> Check here if line 17 is greater than line 15 AND you elect this qualification.					

PART 2: TAXES THAT CAN BE CLAIMED FOR CREDIT AND ALLOCATION TO EACH AGREEMENT

Complete columns A through D and lines 21 through 31. If you have more than one agreement, complete columns E and F. Attach copies of property tax statements (bills) for all land under agreements. Be sure the corresponding agreement number is on each tax statement (bill). Enter amounts in whole dollars only (no cents).

19.	A Agreement Number	B Check (X) if 2007 or 2008 Paid Tax Receipts Attached	C Date of Agreement (MM-DD-YYYY)	D Total Tax For Each Agreement	E Divide Each Amount in Column D by Total on Line 20, Column D	F Allocated Tax Credit Multiply Line 29 by Percentage in Column E
County Code (2 Digits)	Contract Number	Expiration Date (Enter as MM-DD-YY)				
		- -			%	
		- -			%	
		- -			%	
		- -			%	
20. Total of columns D, E, and F					%	

FEIN or TR Number

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21. Taxes from line 19, column D, on land enrolled after December 31, 1977. Enter zero unless you checked the box on line 13 or line 18	21.		00
22. Taxes from line 19, column D, on land enrolled before January 1, 1978	22.		00
23. Taxes qualifying for credit. Add lines 21 and 22	23.		00

PART 3: TAXES THAT CANNOT BE CLAIMED FOR CREDIT

24. Business Income Tax base from Form 4567, line 30c (or Business Income Tax Base Worksheet, see instructions).	24.		00
25. Depletion allowance claimed on your federal income tax return	25.		00
26. Compensation of shareholders that is not included in the Business Income Tax base	26.		00
27. Total. Add lines 24 through 26. If less than zero, enter zero	27.		00
28. Taxes that cannot be claimed for credit. Multiply line 27 by 3.5% (0.035)	28.		00

PART 4: CREDIT

29. Farmland Preservation Tax Credit. Subtract line 28 from line 23. If line 28 is greater than line 23, enter zero	29.		00
30. Amount of credit applied to Michigan Business Tax liability. Enter here the lesser of line 29 or the amount on Form 4567, line 38. Enter this amount on Form 4574, line 17	30.		00
31. Amount of credit to be REFUNDED. Subtract line 30 from line 29.....	31.		00

PART 5: CERTIFICATION AND SIGNATURE

Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.	
<input type="checkbox"/> By checking this box, I authorize Treasury to discuss my return with my preparer.		Preparer's PTIN, FEIN or SSN <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
Taxpayer Signature		Preparer's Business Name (print or type)	
Taxpayer Name (print or type)		Preparer's Business Address and Telephone Number (print or type)	
Title	Date		
Telephone Number			

If using this credit, or a portion of this credit, to pay the MBT liability, attach this form to the *MBT Refundable Credits* (Form 4574) as part of the annual tax filing along with the MBT annual return (either the *MBT Simplified Return* (Form 4583) or the *MBT Annual Return* (Form 4567)).

If requesting a refund of the entire amount of the credit, mail this form to:

Michigan Department of Treasury
P.O. Box 30783
Lansing, MI 48909

For assistance, visit Michigan Department of Treasury's Web site at www.michigan.gov/taxes or call toll-free 1-800-827-4000 for questions about Michigan income tax and credit forms. Persons who have hearing or speech impairments may call 517-636-4999 (TTY).

Instructions for Form 4594

Michigan Farmland Preservation Tax Credit

Fiscal Year Filers: See "Supplemental Instructions for Initial Fiscal MBT Filers" in the *MBT Instruction Booklet for Standard Taxpayers* (Form 4600) at www.michigan.gov/taxes.

Purpose

To allow the taxpayer to claim the Farmland Preservation Tax Credit.

The Farmland Preservation Tax Credit gives a share of the property tax paid on farmland back to farmland owners. Farmland owners qualify for credit by agreeing to keep the land as farmland and not develop it for another use.

Requirements

To qualify, the following requirements must be met:

- Taxpayer must own farmland, and
- Taxpayer must have entered into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture (MDA).

If agreements were entered into on or after January 1, 1978, the gross receipts qualifications in Part 1 must be met.

Farmland Development Rights Agreement

Through an FDRA, a taxpayer may receive property tax relief in return for a pledge not to change the use of the taxpayer's lands.

NOTE: The FDRA restricts development of land. Before making any changes to property covered under this agreement or to its ownership, consult the MDA. Some changes may make property ineligible for credit.

Filing the Correct Form

The following should file using Form 4594:

- Estates, include property taxes from the date of death and farm income required to be reported on the entity's U.S. Form 1041.
- Corporations other than S Corporations.
- S Corporations that had an FDRA before January 1, 1989, and in 1991 elected to file under the Single Business Tax (SBT) Act on the *Farmland Preservation Tax Credit* (Form C-8022).
- Trusts, except as noted below.

The following should file using the MI-1040CR-5:

- Individuals who own a farm independently.
- Representatives of deceased single persons. Include property taxes and income from January 1 to the date of death.
- Partnerships.
- Joint owners.
- S Corporation shareholders, except shareholders of S Corporations who had an FDRA before January 1, 1989, and in 1991 elected to file under the SBT Act on Form C-8022.
- Grantor Trusts (if treated as an owner under Internal Revenue Code (IRC) 671 to 679).

- Trusts created by the death of a spouse if the Trust requires 100 percent of the income from the Trust to be distributed each year to the surviving spouse.

Form MI-1040CR-5 can be found on the Department of Treasury Web site at www.michigan.gov/treasuryforms or call 1-800-827-4000.

Claiming the Credit

Complete Form 4594. If applying this credit or a portion of this credit to MBT liability, attach this form to the *MBT Refundable Credits* (Form 4574). Attach a copy of U.S. Form 1120 or 1041, page 1, and copies of all the federal schedules completed for the federal tax return. The following must also be included:

- A copy of the taxpayer's 2008 property tax statement(s) (bills) with corresponding agreement numbers listed on each.
- A copy of the receipt showing that 2007 or 2008 property taxes were paid. If property taxes have not been paid or receipt(s) are not attached, the Department will mail a check made jointly payable to the Corporation, estate or Trust AND the county treasurer for the county where the property is located. (A new check payable only to the Corporation, estate or Trust will not be issued if it is later proved that the taxes had been paid.)
- If the property tax statement (bill) includes property that is not covered under an FDRA, the taxpayer must show what portion of total acreage and property tax is for land enrolled in the FDRA. A local equalization officer or local assessor must give this information on official letterhead if it is not listed separately on property tax bills.

When to Claim a New Agreement

New agreements must be approved by the local government by November 1, 2008, to claim a 2008 credit. But the FDRA is not final until a copy that has been recorded at the Register of Deeds is received from the MDA. Credit for the new FDRA will not be allowed unless a copy of the recorded agreement is attached to the return. If the taxpayer doesn't get a notice before April 30, file the return without that agreement. File a new Form 4594 with the amended box checked when the FDRA is received.

Jointly Payable Checks

The taxpayer should take the check, check stub, and a copy of the FDRA(s) to the county treasurer(s) who will have the taxpayer endorse the check and then use the refund to pay any delinquent taxes. Any remaining amount will be returned to the taxpayer.

Property Taxes That Can Be Claimed for Credit

The property taxes levied in 2008 on enrolled land are eligible for the 2008 credit, regardless of when they are paid.

Ad valorem property taxes that were levied in 2008 including collection fees up to 1 percent of the taxes can be claimed for credit. Special assessments (those not based on taxable value), penalties, and interest cannot be claimed.

Taxes on land not eligible for either the principal residence or qualified agricultural property exemptions most likely are not eligible for the Farmland Preservation Tax Credit. The exception is rental property where the tenant spends at least 1,040 hours per year participating in the farming operation. To compute the taxes that can be claimed for credit, exclude the school operating tax and multiply the balance by the percentage of exemption allowed by the local taxing authority.

EXAMPLE:

Taxes levied	\$2,000
School operating tax	\$350
Principal residence exemption	60%

$$\begin{array}{r}
 \$2,000 \\
 - \quad 350 \\
 \hline
 \$1,650
 \end{array}
 \quad
 \begin{array}{r}
 \$1,650 \\
 \times \quad 60\% \\
 \hline
 \$990
 \end{array}
 \text{ can be claimed for credit}$$

If the taxpayer has entered into more than one agreement with the MDA, the sum of the taxes under each agreement is used to compute the credit. The amount of credit the taxpayer will receive is based on adjusted business income. Taxes levied on rental property cannot be claimed for credit unless the tenant is involved in the farm operation.

Claiming a Credit for Farms Purchased in 2008 That Were Already Enrolled in the Program

The Farmland Preservation Tax Credit will be processed only if there is a farmland agreement on file with the MDA IN THE SAME NAME AS THE TAXPAYER'S DEED. The taxpayer must prorate the 2008 taxes for the period the land was owned and claim credit based on those taxes only.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

Amended Returns: Check the box (upper right corner, page 1) if this is an amended return, and attach a separate sheet explaining the reason for the changes. Include any supporting documents including an amended federal return or a signed and dated Internal Revenue Service (IRS) audit document.

Country Code: If other than the United States, enter the country code. See the list of country codes in the *MBT Instruction Booklet for Standard Taxpayers* (Form 4600) on the Web at www.michigan.gov/taxes.

Line 1: Tax year of claim. Enter the ending month, day and year of the annual accounting period in which this credit is claimed.

EXAMPLE: A participant with a tax year ending December 31 claims a credit for the 2008 property taxes in the tax year ending in December 2008.

Line 3: Enter the entity's six-digit North American Industry Classification System (NAICS) code. For a complete list of six-digit NAICS codes, see the U.S. Census Bureau Web site at www.census.gov/epcd/www/naics.html, or enter the same NAICS code used when filing the entity's U.S. Form 1120, Schedule K, U.S. Form 1120S, U.S. Form 1065, or U.S. Form 1040, Schedule C.

Line 6: Check the box that describes the organization type. A Trust or Limited Liability Company (LLC) should check the appropriate box based on its federal return.

PART 1: GROSS RECEIPTS QUALIFICATION

Applies only to agreements entered into on or after January 1, 1978.

If agreements were entered into on or after January 1, 1978, eligibility for a Farmland Preservation Tax Credit must be determined using one of the two qualification formulas provided below. If all agreements began before January 1, 1978, skip to Part 2.

IMPORTANT: Once a qualification formula is elected, all future claims must be filed using that formula.

Total Receipts Formula on line 13: This formula compares agricultural gross receipts to property taxes on the enrolled land in each of the tax years preceding the tax year of this claim. If gross receipts are more than five times property taxes in at least three of the five tax years, this formula may be used.

Average Receipts Formula on line 18: This compares the average of the agricultural gross receipts for three tax years preceding the tax year of this claim to property taxes on the enrolled land in the first year under the agreement. If average receipts are more than five times property taxes in the first year, this formula may be used.

Line 9: Enter each of the years immediately preceding the claim year. Enter the most current year in column A.

Line 10: Enter the property taxes for each year reported on line 9 that are attributable to land enrolled on or after January 1, 1978. Do not include property taxes on land enrolled before January 1, 1978, or property taxes on structures or any other lands not enrolled in an FDRA.

Line 12: Enter the agricultural gross receipts for the tax years immediately preceding the tax year of this claim. Agricultural gross receipts are receipts from the business of farming as defined in the IRS Regulation 1.175-3.

If the taxpayer's farm operation was incorporated during this five-year period and the ownership before and after date of incorporation is identical, report gross receipts for all five tax years. If the ownership changed, enter gross receipts only for those tax years since incorporation.

PART 2: TAXES THAT CAN BE CLAIMED FOR CREDIT AND ALLOCATION TO EACH AGREEMENT

Complete columns A through D and lines 21 through 31. If the entity has more than one agreement, complete columns E and F. Attach copies of property tax statements (bills) for all land under agreements. Be sure the corresponding agreement number is on each tax statement (bill). Enter amounts in whole dollars only (no cents).

Line 19: Attach additional forms if entering more than four agreements on line 19.

- **Column A:** Enter the farmland preservation agreement number assigned by the MDA. Agreement number or contract number is found in the lower right corner of each agreement. The first two numbers represent the county where the property is located. The middle set of numbers is the actual contract number. The final six numbers are the year of expiration i.e. 123108 (December 31, 2008). The contract number retains its original series throughout the term of the agreement. However, a letter may be added to indicate that the agreement was split into multiple agreements. The final six numbers change when the agreement is reduced or extended. Always use the contract number on the most recently recorded agreement, and attach a copy of each 2008 tax statement (bill) that corresponds to the agreement number listed.

- **Column B:** For each agreement, check the box if paid tax receipts for 2007 or 2008 are attached. The Farmland Preservation Credit will be issued jointly to the taxpayer and the treasurer for the county where the property is located if the receipts are not attached.

NOTE: 2008 property tax statements (bills) must be attached.

- **Column C:** Enter the date each agreement was entered into (MM-DD-YYYY).

- **Column D:** Enter the total amount of tax on land and structures under agreement from tax statements (bills). Do not include penalties, interest or special assessments. Collection fees may be included. If the taxpayer is a joint owner, enter only the taxpayer's share of taxes.

NOTES: If the property tax statement (bill) includes taxes for land not covered by an FDRA, the taxes reported in column D must be reduced accordingly. The amount of taxes that cannot be claimed must be determined by the local assessor's office and submitted on his or her official letterhead. The 1 percent collection fee may be included. Do not include penalties, interest or special assessments.

If the property tax statement (bill) includes taxes for land on more than one agreement, the taxes reported in column D must be separated according to land in each agreement. The local assessor will be able to determine what the breakdown is based on the legal descriptions of the land enrolled under each agreement.

Line 20: If multiple pages of Form 4594, lines 20D, 20E, and 20F are included, bring the total of all line entries to the main Form 4594.

Line 21: Taxes on land enrolled After December 31, 1977. If qualified under one of the gross receipts formulas (line 13 or line 18), enter the taxes from column D on land and structures enrolled after December 31, 1977. Otherwise, enter zero.

PART 3: TAXES THAT CANNOT BE CLAIMED FOR CREDIT

If filing Form 4567, the amounts used in this computation are available on the return and schedules. If not filing an MBT annual return, complete the *MBT Schedule of Shareholders and Officers* (Form 4577) and attach it to this claim.

Enter on lines 24 through 28 the amounts for the tax year of this claim (the year entered on line 1).

Line 24: Enter the amount of Business Income Tax base from Form 4567, line 30c. (If not required to file Form 4567, use the "Business Income Tax Worksheet" on page 5 to assist in determining the base). This amount can be less than zero.

Line 30: If filing this form separately from the annual return and the amount of the liability has not been determined, estimate the amount of the liability and enter on this line. It will be treated as a credit available when the annual return is filed.

Unitary Business Groups (UBGs): If the eligible taxpayer is a member of a UBG, a pro forma calculation must be performed to determine the tax liability of the eligible taxpayer prior to this credit. This supporting pro forma calculation should be provided in a statement attached to this form. However, this calculation should never be transferred to a Form 4567 or displayed as such.

Attachments

Assemble the return and attachments in the following order, beginning on top:

1. *MBT Annual Return* (Form 4567) and *MBT Schedule of Shareholders and Officers* (Form 4577), if applying this credit to MBT liability.
2. *Michigan Farmland Preservation Tax Credit* (Form 4594).
3. Business Income Tax Worksheet (page 5 of these instructions).
4. A copy of page 1 of 2008 U.S. Form *1120*, U.S. Form *1120S* or U.S. Form *1041*, and all supporting schedules.
5. A copy of any recorded Farmland Development Rights Agreement(s) (FDRAs) not claimed on the previous year's return.
6. A copy of the 2008 property tax statement(s) (bills) that show the taxable value, the property taxes levied, and the corresponding agreement numbers.
7. An official allocation of the tax statement amount between property subject to an FDRA and property not covered by an FDRA.
8. A copy of the receipt showing payment of years 2007 or 2008 property taxes.

For assistance, visit our Web site at www.michigan.gov/taxes or call toll-free 1-800-827-4000 for answers to questions about Michigan income tax and credit forms. Persons who have hearing or speech impairments may call 517-636-4999 (TTY).

Mailing This Form

If using this credit, or a portion of this credit, to pay the MBT liability, attach this form to the *MBT Refundable Credits* (Form 4574) as part of the annual tax filing along with the MBT annual return (either the *MBT Simplified Return* (Form 4583) or the *MBT Annual Return* (Form 4567)).

If requesting a refund of the entire amount of the credit, mail this form to:

Michigan Department of Treasury
P.O. Box 30783
Lansing, MI 48909

E-filing MBT Returns

To optimize operational efficiency and improve customer service, the Department of Treasury is supporting e-file for the first year of MBT by participating in the Internal Revenue Service (IRS) Federal/State Modernized e-File (MeF) program. Check with your software provider to see if it supports MBT e-file, or visit the e-file Web site at **www.MIfastfile.org** to view a list of approved software providers.

The e-file mandate for SBT is being continued for software developers supporting MBT, effective January 1, 2010, for the 2009 tax year. Software developers producing MBT preparation software will need to support e-file for all eligible MBT forms that are included in their tax preparation software. Therefore, all eligible MBT returns prepared using software must be e-filed.

New this year, the Department will accept certain Portable Document Format (PDF) attachments with MBT e-filed returns. For a current list of defined attachments, visit the e-file Web site at **www.MIfastfile.org**, and select “Business Taxpayer.” Follow your software instructions for submitting attachments with an e-filed return.

If the MBT return includes supporting documentation or attachments that are not on the predefined list of attachments, the return can still be e-filed. Follow your software instructions for including additional attachments. The preparer or taxpayer should retain file copies of all documentation or attachments.

For more information and program updates, including exclusions from e-file, visit the e-file Web site at **www.MIfastfile.org**.

The taxpayer may be required to e-file its federal return. Visit the IRS Web site at **www.irs.gov** for more information on federal e-file requirements and the MeF program.

Business Income Tax Base Worksheet

If not required to file the *Michigan Business Tax (MBT) Annual Return* (Form 4567), use this worksheet to calculate the Business Income Tax base reported on the *Farmland Preservation Tax Credit* (Form 4594), line 24. Instructions for completing specific lines are found in the Form 4567 instructions (corresponding lines are referenced in the line instructions below) and the "Supplemental Instructions for Standard Initial Fiscal MBT Filers," which are both found in the *Michigan Business Tax Instruction Booklet* (Form 4600) and on the Michigan Department of Treasury's Web site at www.michigan.gov/taxes. A copy of this worksheet must be attached to Form 4594.

1. Apportionment Percentage (Form 4567, lines 10a through 10d).

a. Michigan Sales	1a.		00
b. Total Sales	1b.		00
c. Apportionment %. Divide line 1a by line 1b	1c.		%

2. Proration Percentage (Form 4567, lines 10e through 10h, and the Supplemental Instructions for Standard Initial Fiscal MBT Filers).

a. <input type="checkbox"/> Check this box if fiscal year filer using the annual method, and complete lines 2b through 2d. (Tax year 2008 only.)			
b. Number of months in MBT tax period	2b.		
c. Total months	2c.	12	
d. Proration Percentage. Divide line 2b by line 2c	2d.		%

3. Business Income (use Worksheets 1 through 3 on page 136 of the MBT Instruction Book for assistance).....

3.

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4. Additions to Income (Form 4567, lines 22a through 22f).

a. Interest income and dividends derived from obligations or securities of states other than Michigan	4a.		00
b. Taxes on or measured by net income	4b.		00
c. Tax imposed under MBT	4c.		00
d. Any carryback or carryover of a federal net operating loss	4d.		00
e. Losses attributable to other taxable flow-through entities	4e.		00

Account Number

f. Royalty, interest, and other expenses paid to a related person	4f.		00
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5. Total Additions to Income. Add lines 4a through 4f

5.

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6. Business Income Tax Base after Additions. Add lines 3 and 5

6.

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7. Subtractions from Income (Form 4567, lines 25a through 25d).

a. Dividends and royalties received from persons other than United States persons and foreign operating entities	7a.		00
b. Income attributable to other taxable flow-through entities	7b.		00

Account Number

c. Interest income derived from United States obligations	7c.		00
d. Net earnings from self-employment. If less than zero, enter zero	7d.		00

8. Total Subtractions from Income. Add lines 7a through 7d

8.

	00
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9. Subtract line 8 from line 6. If not using apportionment or the Qualified Affordable Housing Deduction, this is the Business Income Tax base to be entered on Form 4594, line 24. Otherwise, continue and use amount on line 13c.

9.

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10. If box 2a is checked, multiply line 9 by percentage on line 2d. All others enter amount from line 9

10.

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11. Apportioned Business Income Tax Base. Multiply line 10 by percentage on line 1c

11.

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12. Available MBT business loss carryforward from previous MBT return. Enter as a positive number (Form 4567, line 29.)

12.

	00
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13. Business Income Tax base to be entered on Form 4594.

a. Subtract line 12 from line 11. If negative, enter here as a negative number	13a.		00
b. If line 13a is a positive number, enter the Qualified Affordable Housing Deduction (Form 4567, line 30b.)	13b.		00
c. Subtract line 13b from line 13a. This is the Business Income Tax base to be entered on Form 4594, line 24 ..	13c.		00